

RURAL TELECOMMUNICATIONS GROUP

the voice of rural wireless telecommunications providers

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MEMORANDUM

To: Magalie Roman Salas, Secretary
Federal Communications Commission

From: Caressa D. Bennet, Regulatory Counsel
Gregory W. Whiteaker

Date: December 22, 1999

Re: Oral *Ex Parte* Presentation - December 21, 1999

**In the Matter of Service Rules for the 746-764 and 776-794 MHz Bands, and
Revisions to Part 27 of the Commission's Rules; WT Docket No. 99-168**

On December 21, 1999, Gregory W. Whiteaker of Bennet & Bennet, PLLC, representing the Rural Telecommunications Group ("RTG"), made an oral *ex parte* presentation, via telephone, to Gary Michaels of the Federal Communications Commission's ("FCC" or "Commission") Wireless Telecommunications Bureau concerning issues relating to the adoption of auction and service rules for the auction of spectrum in the 746-764 and 776-794 MHz bands ("UHF spectrum"). Mr. Whiteaker discussed arguments made in RTG's comments in this proceeding. Pursuant to Sections 1.49(f) and 1.1206(b)(2) of the Commission's rules, this memorandum is being submitted electronically to summarize the presentation.

As explained in RTG's comments, RTG vehemently opposes licensing the UHF spectrum on the basis of huge geographic areas, such as Regional Economic Area Groupings ("REAGs") and Major Economic Areas ("MEAs"). RTG emphasized that no decision has more impact on rural telephone company and small business participation in a service than the geographic areas in which a service will be auctioned and licensed. The use of large geographic license areas is the single most significant barrier to small business and rural telephone company participation in new and innovative spectrum-based services. Rural telephone companies and small businesses simply lack the resources to acquire or serve huge license areas such as MEAs or REAGs. Accordingly, RTG sees the adoption of large license areas as a deadly blow to rural telephone company participation and to the deployment of service to rural areas.

RTG also explained that experience has demonstrated that geographic partitioning has failed to efficiently "subdivide" licenses to distribute them to small businesses and rural telephone companies. According to many licensees, the administrative costs of entering into and managing the partitioning/disaggregation process outweigh the realized financial gains. Many licensees are also

unwilling to partition portions of their licenses because they perceive that unpartitioned licenses have a higher resale value. Given that the UHF spectrum will probably be used for mobile services, licensees and capital markets perceive added value for having a large foot print, even if the licensee does not provide service within the entire geographic area. Accordingly, licensees of the UHF spectrum will be especially reticent to partition their licenses.

RTG further explained that geographic partitioning is an inefficient and time consuming process for dividing up license areas. By contrast, the auction process provides an efficient and swift method of aggregating license areas. Auction participants who wish to combine smaller license areas into one or more large license areas may do so easily. Accordingly, the Commission should auction licenses on the basis of smaller rather than larger license areas.

cc: Gary Michaels